
THE STATE OF WASHINGTON



Triple Pledge Bonds - SR 520 Corridor Program
(Toll Revenue, MVFT, General Obligation)
Rating Agency & Investor Presentation

August 29, 2016



Table of Contents

- I. SR 520 Corridor Program
- II. Toll Revenue
- III. Security for Series 2017C
- IV. Debt Issuance Plans

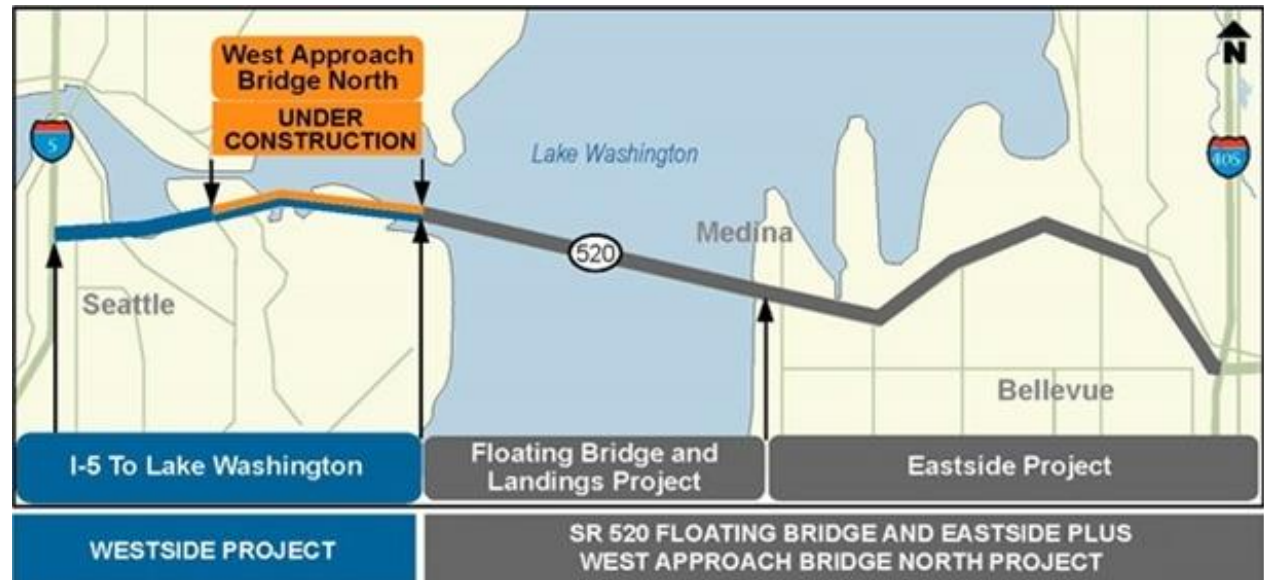


I. SR 520 Corridor Program



SR 520 Corridor Program

The cost of the SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project and the Westside Project is estimated to be \$4.562 billion.



The SR 520 Corridor is 12.8 miles long from I-5 in Seattle to the west and crossing Lake Washington to SR 202 in Redmond. The corridor is one of two major east-west roadways crossing Lake Washington and includes two major bridges: a floating bridge which is 1.42 miles long (the longest floating bridge in the world), and the Portage Bay (elevated) bridge.

The SR 520 Corridor Program includes two major projects:

- The SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project
- The Westside Project, also known as the "Rest of the West"



SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project

In April 2016, the new floating bridge that spans Lake Washington opened to traffic.

The construction of the West Approach Bridge North is expected to be completed in the summer of 2017, which is the last major component of this project.

Built in the 1960's to carry 65,000 vehicles per day, the Evergreen Point floating bridge provided approximately 100,000 daily vehicle trips for approximately 10 years. The old bridge was vulnerable to failure in severe windstorms and earthquakes and the corridor experienced significant congestion.

In 2009, the Legislature authorized tolling on the SR 520 Corridor. The current estimated project cost of this portion of the corridor is \$2.895 billion. Approximately 41 percent of the project is expected to be funded with tolls. As of June 30, 2016, approximately \$2.45 billion has been spent, or 85 percent of the total estimated cost.

The SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project includes:

- Construction of a pontoon facility and pontoons for the new floating bridge;
- Completion and reconfiguration of the HOV lane system to the east of Lake Washington;
- Construction of a new floating bridge to replace the Evergreen Point floating bridge;
- Construction of the West Approach Bridge North; and
- Decommissioning of the Evergreen Point floating bridge.



Westside Project

Connecting Washington projects will be paid for with bond proceeds, increased vehicle related fees, and an increase in the State's motor fuel excise tax.

Toll Revenue is not expected to fund the Westside Project.

In 2015, the Legislature funded the Westside Project, also known as the “Rest of the West”, as part of the Connecting Washington transportation revenue and bond package.

The Legislature authorized approximately \$1.67 billion for the Westside Project, which will ultimately provide:

- A new six-lane corridor from I-5 to the floating bridge;
- An improved I-5/SR 520 interchange;
- A new Portage Bay bridge;
- A complete west approach bridge;
- A reversible transit/HOV ramp to I-5; and
- Two neighborhood connecting lids.

Construction will proceed in three phases beginning in 2018 and the entire project is expected to be completed in 2027.



II. Toll Revenue



Toll Rates

Toll revenue collected on SR 520 is used exclusively for the System of Eligible Toll Facilities (which includes only the SR 520 Corridor) and may not be used outside of the System.

Toll Collection

Tolls are collected electronically and rates vary depending on the time of day. Drivers are encouraged to set up “Good To Go!” accounts to have tolls automatically deducted from prepaid accounts. “Good to Go!” drivers accounted for approximately 84 percent of daily trips in Fiscal Year 2015. Toll rates have increased annually since tolling began in December 2011.

Current Toll Rates (each direction)

Toll rates for cars with “Good to Go!” transponder accounts:

- Weekday: \$1.90 off-peak to \$4.10 peak
- Weekend: \$1.30 off-peak to \$2.50 peak
- Nighttime (11pm-5am): Tolls are not collected until July 2017

Users without a “Good To Go!” account pay an additional \$2.00 per transaction. Buses, private regular route buses, and certain carpools do not pay tolls.

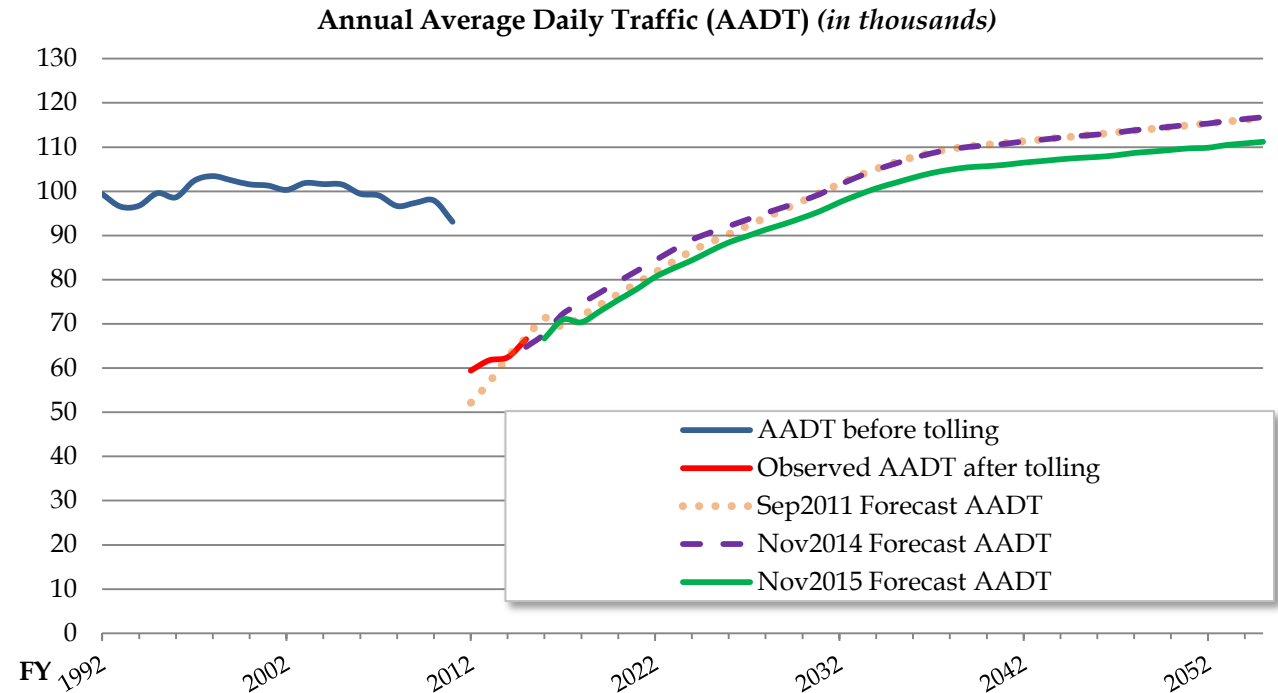
In Fiscal Year 2015, there were approximately 66,500 daily trips of which 62,500 were tolled at an average rate of \$3.15 per transaction. Starting July 1, 2017, the toll rates will increase five percent, and nighttime tolling will begin with a flat rate of \$1.25.

Future toll rates are subject to review and adjustment by the Transportation Commission in order to generate Toll Revenue sufficient to meet the costs and obligations pursuant to the Bond Act.



Traffic Forecast Comparison

WSDOT has commissioned multiple studies for the SR 520 Floating Bridge and Eastside Bridge North Project to forecast traffic, gross toll revenues, and toll revenues net of operating and maintenance expenses.



Annual traffic dropped considerably when tolling began, although less than forecasted.

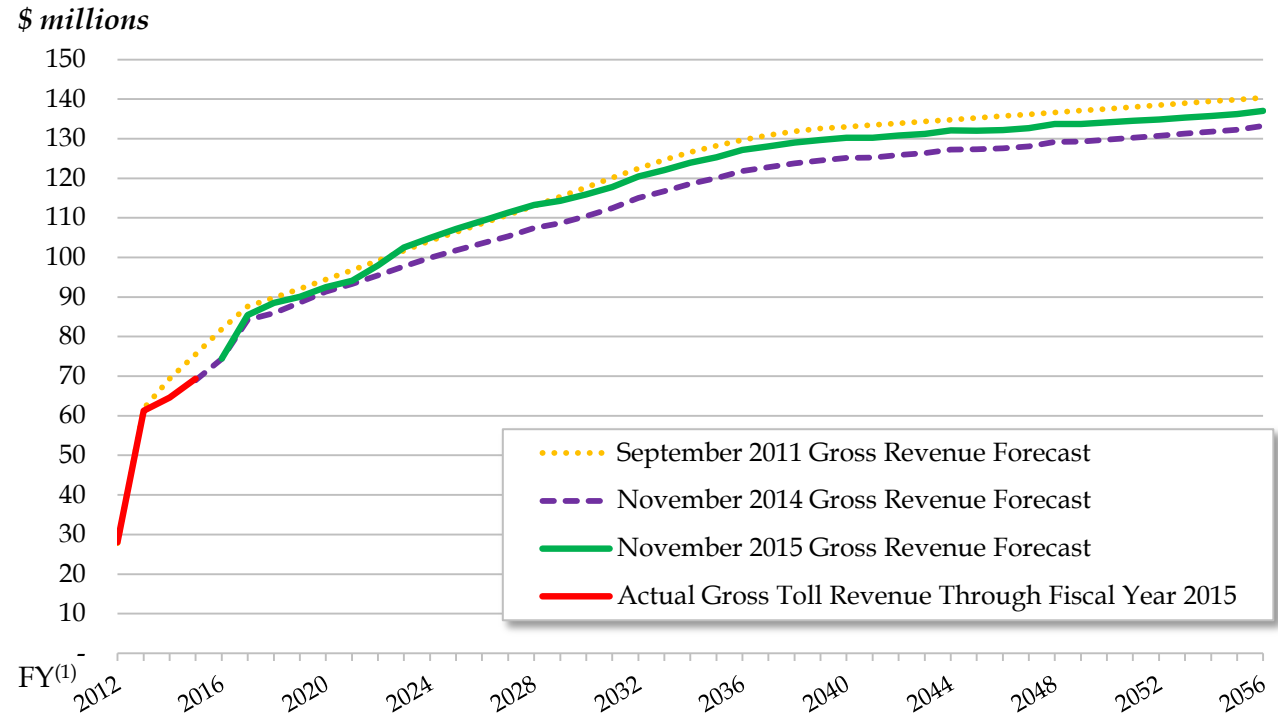
Forecasts have been revised to reflect actual traffic experience and policy changes. The reduction in the traffic forecast reflects:

- The implementation of the Transportation Commission's decision to remove the HOV toll exemption previously assumed to begin in FY 2017.



Gross Toll Revenue Forecasts*

The 2015 Gross Revenue Forecast shows higher gross revenue in all years when compared to the 2014 Gross Revenue Forecast.



Forecasts have been revised to reflect tolling experience, adjustments in toll rates, and modified construction schedules. Other key revisions include:

- A reduction in the volume of truck traffic;
- More “Good to Go!” transactions than anticipated;
- Implementation of the Transportation Commission's decision to remove the HOV toll exemption previously assumed to begin in FY 2017; and
- Revised assumptions regarding span closures.

*Revenue that would be collected if every vehicle crossing the bridge paid the published toll rate based on time of crossing, vehicle class, payment method, and applicable exemptions. Does not include any fee revenue or short term account discounts.

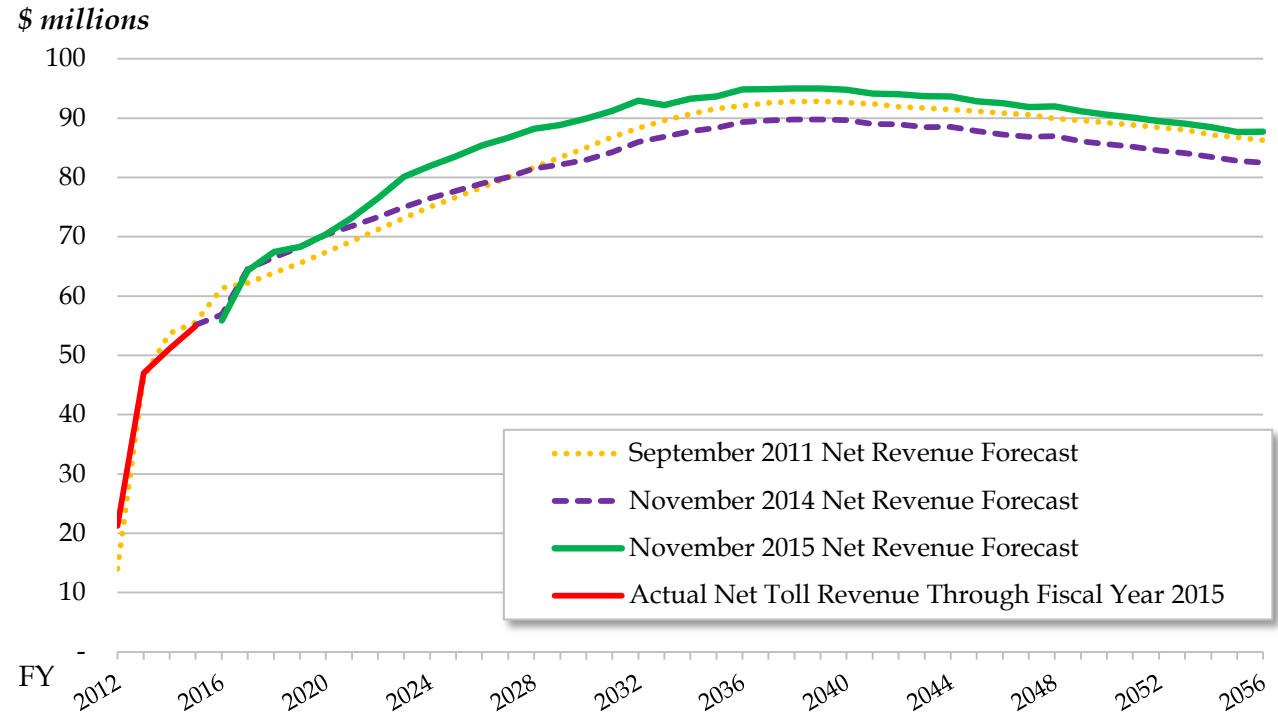
(1) FY 2012 shows six months of tolling.

Source: 2011, 2014, and 2015 Traffic and Revenue Studies prepared by CDM Smith



Net Toll Revenue Forecasts*

The net toll revenue reports use the data from the Traffic and Revenue Studies to project net revenue from annual toll traffic and tolls charged after all operating expenses.



Net toll revenue forecasts have been updated to reflect the following key revisions:

- Reductions to customer service center vendor costs and other administrative costs;
- Upward revisions of uncollected toll revenues including revenue not recognized due to unreadable license plates, unidentifiable vehicle owners, and non-payment of toll bills. Uncollected toll revenues had initially been estimated at approximately 4.5% of gross toll revenues. Revised estimates assume percentages of 8.9% in FY 2016 declining to 7% in FY 2029.

*FY 2012 shows six months of tolling.



Toll Revenue Collections

Actual net toll revenues have been on target when compared to forecasts.

SR 520 Net Toll Revenues vs. Projections⁽¹⁾

<u>Fiscal Year</u>	<u>Forecast</u>	<u>Actuals</u>	<u>Variance</u>
2013	\$ 47,123,000	\$ 47,020,969	(0.2)%
2014	50,017,000	51,138,217	2.2%
2015	55,115,000	54,907,229	(0.4)%
2016 ⁽²⁾	55,901,000	58,775,608	5.1%

(1) Fiscal Year 2013 data is compared to September 2012 Forecast. Fiscal Year 2014 data is compared to October 2013 Forecast. Fiscal Year 2015 data is compared to November 2014 Forecast. Fiscal Year 2016 data is compared to November 2015 Forecast.

(2) Fiscal Year 2016 actuals are preliminary.

Source: 2015 Traffic and Revenue Studies prepared by CDM Smith and 2015 Net Toll Revenue Reports prepared by WSP | Parsons Brinckerhoff in collaboration with the SR 520 General Engineering Consultant Team and WSDOT.



III. Security for the Series 2017C



Security for the Series 2017C Bonds

The State has pledged Toll Revenue, Motor Vehicle Fuel Taxes and the State's full faith and credit.

The Legislature has designated the SR 520 Corridor as an Eligible Toll Facility and has authorized the imposition of tolls.

The Legislature has delegated to the Transportation Commission the power to set, review and adjust tolls, as the delegated tolling authority.

The Legislature authorized the issuance of Triple Pledge Bonds.

The State has pledged to impose and maintain tolls on the SR 520 Corridor in amounts sufficient to pay debt service on the Bonds.

Series 2017C Bonds are issued under State Finance Committee Resolution No. 1117 (the Master Resolution).

Principal and interest on the Triple Pledge Bonds are first payable from Toll Revenue (Toll Revenue collected on the SR 520 Corridor after paying Operations and Maintenance Expenses).

If Toll Revenues are not sufficient, debt service will be paid from Motor Vehicle Fuel Taxes and second, from other legally available funds of the State.



Security for the Series 2017C Bonds

Series 2017C Bonds, Series 2012C Bonds and any future Third Tier Bonds are equally and ratably secured and have the same right, pledge, and preference established for the benefit of the Third Tier Bonds.

Bonds issued under the Master Resolution have a right, pledge, and preference to payment from Net Revenue in the following order of priority:

First Tier Bonds	None issued and none expected to be issued
Second Tier Bonds	None issued and none expected to be issued
Third Tier Bonds	Series 2012C and Series 2017C
Fourth Tier Bonds	TIFIA Bond (Series 2013C)

The Legislature may designate Additional Eligible Toll Facilities as part of a System of Eligible Toll Facilities subject to certain conditions and in compliance with provisions in the Master Resolution. The State may issue more Bonds for the System of Eligible Toll Facilities if certain conditions are met.



Security for the Series 2017C Bonds

For the Series 2017C Bonds, the State will meet the Additional Bonds test in the Master Bond Resolution.

Rate Covenants

The Tolling Authority must establish and WSDOT must charge and collect Tolls sufficient to meet the Operating and Maintenance Expenses and to provide Net Toll Revenue in an amount at least equal to:

- 150% of annual debt service on 1st Tier Bonds,
- 135% of annual debt service on 1st and 2nd Tier Bonds,
- 125% of annual debt service on 1st , 2nd and 3rd Tier Bonds,
- 110% of annual debt service on all Outstanding Bonds,
- 100% of annual debt service on all Outstanding Bonds, and all required deposits as specified in the Master Resolution.

Toll Revenue for any fiscal year does not include funds transferred to the Revenue Stabilization Account, but may include amounts transferred from the Revenue Stabilization Account. Accordingly, Net Revenue may differ from Net Revenue calculated for coverage purposes.



SR 520 Floating Bridge and Eastside plus West Approach Bridge North Project

Projected Net Toll Revenue and Debt Coverage (Actuals through Fiscal Year 2015)

(\$ in millions)

Tolling began in December 2011.

Net Revenue for coverage purposes excludes deposits made to the Revenue Stabilization Subaccount.

Amounts deposited in the Revenue Stabilization Subaccount are sized to an amount approximately equal to 30% of projected maximum annual net Toll Revenue.

Fiscal Year	Net Toll Revenue	Deposits to the Revenue Stabilization Subaccount	Net Toll Revenue for Coverage Purposes	2012C Bonds Debt Service	2017C Bonds Debt Service ⁽¹⁾	Third Tier (Triple Pledge) Debt Service ⁽¹⁾	Third Tier (Triple Pledge) Debt Coverage ⁽¹⁾	Fourth Tier (TIFIA) Debt Service ⁽¹⁾	Fourth Tier (TIFIA) Debt Coverage ⁽¹⁾
2012	21.22	-	21.22	-	-	-	-	-	-
2013	47.02	-	47.02	26.02	-	26.02	1.81	-	1.81
2014	51.14	-	51.14	26.02	-	26.02	1.96	-	1.96
2015	54.91	-	54.91	26.02	-	26.02	2.11	-	2.11
2016	55.90	(22.07)	33.83	26.02	-	26.02	1.30	-	1.30
2017	64.28	(6.44)	57.84	36.86	4.97	41.83	1.38	-	1.38
2018	67.44	-	67.44	36.86	6.39	43.25	1.56	12.69	1.21
2019	68.30	-	68.30	36.86	6.39	43.25	1.58	12.69	1.22
2020	70.42	-	70.42	36.86	6.39	43.25	1.63	12.69	1.26
2021	73.20	-	73.20	36.86	6.39	43.25	1.69	12.69	1.31
2022	76.48	-	76.48	36.86	6.39	43.25	1.77	12.69	1.37
2023	80.14	-	80.14	36.86	6.39	43.25	1.85	12.69	1.43
2024	81.94	-	81.94	36.86	6.39	43.24	1.89	12.69	1.46
2025	83.58	-	83.58	36.86	6.39	43.25	1.93	12.69	1.49
2026	85.38	-	85.38	36.86	6.39	43.25	1.97	12.69	1.53
2027	86.71	-	86.71	36.86	6.39	43.25	2.01	12.69	1.55
2028	88.20	-	88.20	36.86	6.39	43.25	2.04	12.69	1.58
2029	88.85	-	88.85	36.86	6.39	43.25	2.05	12.69	1.59
2030	89.92	-	89.92	36.86	6.39	43.25	2.08	12.69	1.61
2031	91.22	-	91.22	36.86	6.39	43.25	2.11	12.69	1.63
2032	92.94	-	92.94	36.86	6.39	43.25	2.15	12.69	1.66
2033	92.21	-	92.21	36.86	6.39	43.25	2.13	12.69	1.65
2034	93.28	-	93.28	36.86	6.39	43.25	2.16	12.69	1.67
2035	93.66	-	93.66	36.86	6.39	43.25	2.17	12.69	1.67
2036	94.86	-	94.86	36.86	6.39	43.25	2.19	12.69	1.70
2037	94.89	-	94.89	36.86	6.39	43.25	2.19	12.69	1.70
2038	95.03	-	95.03	36.86	6.39	43.25	2.20	12.69	1.70
2039	94.98	-	94.98	36.86	6.39	43.25	2.20	12.69	1.70
2040	94.77	-	94.77	36.86	6.39	43.25	2.19	12.69	1.69
2041	94.13	-	94.13	36.86	6.39	43.25	2.18	12.69	1.68
2042	94.04	-	94.04	-	-	-	-	23.79	3.95

(1) Prepared by the Office of State Treasurer. Projected numbers are subject to change.

Source: 2015 Traffic and Revenue Study dated April 22, 2016, prepared by CDM Smith and Net Toll Revenue Report dated April 29, 2016, prepared by WSP | Parsons Brinckerhoff in collaboration with the SR 520 General Engineering Consultant Team and WSDOT. Projected numbers subject to change.



IV. Debt Issuance Plans



Forward Calendar

The Office of the State Treasurer's plans for sales of general obligation bonds. Refundings will be executed as market conditions permit.

Debt Issuance Plan Estimates Through February 2017			
September 2016	MVFT GO	\$	134,715,000
	MVFT GO Triple Pledge	\$	<u>90,325,000</u>
	Total	\$	225,040,000
November 2016	COP State New Money	\$	54,200,000
Jan/Feb 2017	Various Purpose GO	\$	400,000,000
	MVFT GO	\$	<u>35,000,000</u>
	Total	\$	435,000,000

Estimates as of August 12, 2016.

Source: Office of the State Treasurer.